

**ASSEMBLY BILL**

**No. 562**

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**Introduced by Assembly Member Levine**

February 16, 2005

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An act to add Chapter 2.20 (commencing with Section 1399.880) to Division 2 of the Health and Safety Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

AB 562, as introduced, Levine. Discount health programs.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensing and regulation of health care service plans, as defined.

This bill would define a discount health program as a person or entity that operates a program that charges a consumer a fee for accessing providers and health care services and products at a discounted rate. The bill would establish certain requirements for the operation of these programs and would make a violation of these requirements a crime. The bill would make the Department of Managed Health Care responsible for enforcement of the bill and would require it to charge programs a fee to cover those costs. The bill would require these fees to be deposited into the Discount Health Programs Fund which would be created by the bill. The bill would require this revenue to be used by the department to carry out the bill, upon appropriation by the Legislature.

Because the bill makes a violation of its requirements a crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Chapter 2.20 (commencing with Section  
2 1399.880) is added to Division 2 of the Health and Safety Code,  
3 to read:

4  
5 CHAPTER 2.20. DISCOUNT HEALTH PROGRAMS  
6

7 1399.880. "Discount health program" means a person or  
8 entity that operates a program in this state that charges an  
9 individual consumer a membership or similar fee for access to,  
10 including, but not limited to, health care services or products and  
11 a list of providers at a discounted rate and requires the consumer  
12 to pay a provider directly for those services or products.

13 1399.881. A discount health program shall not provide basic  
14 health services as defined in Section 1345.

15 1399.882. A discount health program shall comply with all of  
16 the following requirements:

17 (a) Register with the Department of Managed Health Care.

18 (b) Identify on all materials provided to consumers that the  
19 program is not health insurance.

20 (c) Include the consumer hotline number for the department on  
21 all materials provided to consumers.

22 (d) Disclose the manner in which the discount it provides is  
23 calculated and offer the consumer a copy of its fee schedule.

24 (e) Contract directly with each provider that provides a  
25 discount under the program.

26 (f) Maintain a minimum of one business office in California.

27 1399.883. The Department of Managed Health Care shall  
28 enforce the provisions of this chapter and adopt regulations to  
29 develop the following and to otherwise implement this chapter:

30 (a) A process and fees for a program to register with the  
31 department that includes the requirements for the structure of the  
32 program, including, but not limited to, a board of directors and  
33 office locations.

1 (b) A process for a program to file all marketing materials  
2 with the department.

3 (c) A process that a program is required to follow in providing  
4 refunds to consumers.

5 1399.884. The Department of Managed Health Care shall  
6 assess each discount health program an annual fee in an amount  
7 that does not exceed the cost of its regulatory activities. All fees  
8 received by the department shall be paid into the State Treasury  
9 and credited to the Discount Health Programs Fund which is  
10 hereby created. The revenue in this fund shall be used by the  
11 department to carry out this chapter, upon appropriation by the  
12 Legislature in the annual Budget Act.

13 1399.885. A violation of this chapter is a misdemeanor,  
14 punishable by a fine not to exceed ten thousand dollars (\$10,000)  
15 or by imprisonment in a county jail for not more than one year,  
16 or by both that fine and imprisonment.

17 SEC. 2. No reimbursement is required by this act pursuant to  
18 Section 6 of Article XIII B of the California Constitution because  
19 the only costs that may be incurred by a local agency or school  
20 district will be incurred because this act creates a new crime or  
21 infraction, eliminates a crime or infraction, or changes the  
22 penalty for a crime or infraction, within the meaning of Section  
23 17556 of the Government Code, or changes the definition of a  
24 crime within the meaning of Section 6 of Article XIII B of the  
25 California Constitution.